



**DEPARTMENT OF THE TREASURY**

Internal Revenue Service  
TE/GE EO Examinations  
1100 Commerce Street  
Dallas, TX 75424

**TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION**

Date: August 19, 2010

Number: **201050041**  
Release Date: 12/17/2010

501.03-00

**LEGEND**

ORG = Organization name      XX = Date      Address = address

ORG  
ADDRESS

Person to Contact:  
Identification Number:  
In Reply Refer to: TE/GE Review Staff  
EIN:

**CERTIFIED MAIL – Return Receipt Requested**

Dear :

This is a Final Adverse Determination Letter as to your exempt status under section 501(c)(3) of the Internal Revenue Code. Your exemption from Federal income tax under section 501(c)(3) of the code is hereby revoked effective January 1, 20XX.

Our adverse determination was made for the following reasons:

Organizations described in I.R.C. § 501(c)(3) and exempt under section 501(a) must be both organized and operated exclusively for exempt purposes. You have failed to produce documents or otherwise establish that you are operated exclusively for exempt purposes and that no part of your net earnings inures to the benefit of private shareholders or individuals. You failed to respond to repeated reasonable requests to allow the Internal Revenue Service to examine your records regarding your receipts, expenditures, or activities as required by I.R.C. § 6001.

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code.

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the year ending December 31, 20XX and for all years thereafter.

Processing of income tax returns and assessment of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination in court, you must initiate a suit for declaratory judgment in the United States Tax Court, the United States Claim Court or the District Court of the United States for the District of Columbia before the 91<sup>st</sup> day after the date this determination was mailed to you. Contact the clerk of the appropriate court for the rules for initiating suits for declaratory judgment.

You also have the right to contact the office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access your tax information and can help you get answers.

You can call 1-877-777-4778 and ask for Taxpayer Advocate assistance. Or you can contact the Taxpayer Advocate from the site where the tax deficiency was determined by calling, Tel: (651) 312-7999, or write :

Taxpayer Advocate assistance cannot be used as a substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations, nor extend the time fixed by law that you have to file a petition in the United States Tax Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

We will notify the appropriate State Officials of this action, as required by section 6104(c) of the Internal Revenue Code.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Douglas H. Shulman  
Commissioner  
By

Nanette M. Downing  
Director, EO Examinations

Enclosures:

Publication 892  
Publication 1546  
Notice 437



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY**

Internal Revenue Service  
Wells Fargo Building - Mail Stop 4925STP  
30 East 7th Street - Suite 1130B  
Saint Paul, MN 55101-4940

September 24, 2008

ORG  
ADDRESS

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

Certified Mail - Return Receipt Requested

Dear

We have enclosed a copy of our report of examination explaining why we propose modifying your private foundation status under section 509(a) of the Internal Revenue Code (Code).

Your exempt status under section 501(c)(3) of the Code is still in effect.

If you accept our findings, take no further action. We will issue a final letter modifying your private foundation status.

If you do not agree with our proposed modification of private foundation status, you may provide additional information that you would like to have considered, or you may submit a written appeal. The enclosed Publication 3498, *The Examination Process*, and Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*, explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

If you request a conference with Appeals, you must submit a written protest within 30 days from the date of this letter. An Appeals officer will review your case. The Appeals Office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly.

You may also request that we refer this matter for technical advice as explained in Publication 892. If we issue a determination letter to you based on technical advice, no further administrative appeal is available to you within the IRS regarding the issue that was the subject of the technical advice.

If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the Code provides, in part: "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final letter.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Acting Director, EO Examinations

Enclosures:  
Publication 5,892 & 3498  
Form 6018  
Report of Examination

**Explanation of Items**

Name of Taxpayer ORG

Year/Period Ended

December 31, 20XX  
December 31, 20XX**LEGEND**

ORG = Organization name      XX = Date      State = state      County = county      Counselor  
 = counselor      CO-1, CO-2, CO-3, CO-4, CO-5 & CO-6 = 1<sup>ST</sup>, 2<sup>ND</sup>, 3<sup>RD</sup>, 4<sup>TH</sup>, 5<sup>TH</sup> & 6<sup>TH</sup> COMPANIES  
 VP = VP      Accountant = accountant      RA-1, RA-2 & RA-3 = 1<sup>st</sup>, 2<sup>nd</sup> & 3<sup>rd</sup> RA

**Issue under Consideration**

Whether the IRC 501(c)(3) tax-exempt status of ORG(ORG) be revoked because it has not shown that it continues to qualify as an organization described in 501(c)(3)?

**Facts**

The ORG (ORG) was granted tax exemption under Internal Revenue Code (IRC) 501(c)(3) as a charitable organization under IRC 509(a)(1) and 170(b)(1)(A)(vi) from a letter from the Internal Revenue Service dated May 29, 20XX. Their filing requirements were Forms 990, 941, and W-2 for the fiscal year ending December 31, 20XX and December 31, 20XX.

ORG's activity as stated in the 990 return for 20XX was: "providing transitional housing for individuals recovering from various addictions."

ORG (ORG) has a related for profit entity, CO-1 ( CO-1) d.b.a. CO-1 RA-1 is the shareholder for the profit entity and the President of the non-profit entity. Both entities share the same facilities to conduct their activities.

During the initial interview, agent met with VP, Vice-President ( as noted on the Form 990 and during the initial phone call) and Accountant, Accountant. Verbal permission was given as well by RA-1 to conduct examination process with above individuals.

**Exempt Purpose**

The ORG is a State non-profit corporation formed to provide supportive services for adult men while in treatment for alcohol and chemical dependency and following formal treatment and half-way houses completion. ORG program is designed to operate in collaboration with the County Drug Court. The program serves both residents of the structured housing facility as well as eligible persons who have secured independent housing. Residents are allowed to remain in the facility for up to one year. The program's stated focus is to provide rehabilitation services to persons who have obtained a period of sobriety but are still lacking basic living skills. The goal is to lead to greater stability due to the healthy lifestyle structure.

The stated mission of ORG is "to provide the necessary means, through a clean sober environment, to make the successful transition back to living life without the use of drugs or chemicals".

**Explanation of Items**

Name of Taxpayer ORG

Year/Period Ended

December 31, 20XX

December 31, 20XX

The stated goal of ORG is the organization will operate several sober facilities throughout metro areas and there were plans to add additional sites in 20XX. A men's facility is located in City, two women's facilities are located in City, two men's facilities in City and one family facility ( which may be used for individual men or women) is located in City. The houses are designed for independent living with the assistance of a House Manager in the City location. The House Manager monitors residence sobriety and accountability. In addition, the House Manager works with residents to provide instructions on basic living skills.

The organization states that the program also provides individualized aftercare services to all persons meeting eligibility criteria but who have independently established secure housing. Non-residents will receive an intake to determine what needs they have and will attend groups accordingly.

Another stated goal of the program is that ORG participants will obtain living skills such as scheduling appointments, basic hygiene skills, job seeking and employment development, cooking and nutrition, budgeting, relationship and socialization skills, problem solving, individualized basis according to each client's needs. A person entering the program will receive an initial assessment evaluating their current level of functioning. All unemployed resident able to work will immediately begin job seeking. Mentoring services will be provided.

The program was originally targeted to house between 45 and 52 men and women monthly. In addition, ORG would make beds available for an emergency contract providing a safe bed for court ordered clients while waiting for treatment admission.

It was further stated residents not in treatment are responsible for housing and board that includes rent, food and utilities. Court funding will cover therapeutic program costs. In addition, the organization had a transportation program which provided door-to-door services from incarceration to treatment. Program clients will be transported directly to the treatment program where they have been referred. This program was developed in recognition of the high percentage of referrals from drug court who do not arrive at treatment.

In addition to the activities noted above, the following activities were noted:

***Operation of Thrift Store***

In August, 20XX, ORG opened a thrift store in City. Occupying 7,500 square feet in premises subsidized by CO-2, the purpose of the thrift store was to accept donations of clothing, furniture and other saleable items and sell them in a retail environment. One goal was to provide employment opportunities for beneficiaries. In addition, the availability of donated goods would allow delivery of clothing and other items to needy beneficiaries at no out of pocket cost to ORGs.

***Magazine Sales***

Per the website, it stated:

**Explanation of Items**

Name of Taxpayer ORG

Year/Period Ended

December 31, 20XX

December 31, 20XX

*"We are now selling subscriptions to over 600 different magazines to help the ORG, Inc. beneficiaries. Affordable yearly magazine packages are available to fit any budget."*

The organization participated in sales of over 600 magazines, such as CO-3, CO-4, CO-5 and CO-6. During the initial interview, it was stated that RA-1's son was in telemarketing and was responsible for selling magazines on behalf of ORG. VPs stated the organization at one time had magazines as a fundraiser, however, it was no longer in existence and it was too costly to remove from the website. According to him, the organization didn't have much money so this is the reason it is still listed. To this date, the magazine subscription is still being advertised on the organization's website and the public is being asked to be directed to a former employee and his phone number. It states:

*"Call RA-2 at # for information"*

**Rental Properties**

There were several rental properties located in City, City, City and City which were acquired and owned by RA-1, members of his family and an employee of the organization. The employee was a Counselor of ORG and it was stated that RA-1 and Counselor, Counselor acquired the real estate together. According to RA-1, these properties were bought, maintained and used for the purpose for providing housing services to the clients of ORG.

The residential admission requirements consisted of:

1. Tenant must be income eligible (i.e. show an ability to pay rent).
2. Tenants must be at least 18 years of age.
3. Tenants must have the ability to pay rent on time and manage money.
4. Tenants must remain drug/alcohol free at all times to remain in the housing facility.
5. Tenants must be active participants in the tenants' council.

**Donation of Cars**

During the initial interview, when asked about the several vehicles listed at the current address in Accurint, it was indicated there were several cars donated to the organization. However, according to VP, there was a lack of recordkeeping in regards to the donated cars. As a result, there were no records which indicates how many, what kind and/or final disposition of the vehicle. According to VP in letter dated February 26, 20XX, "it was believed ORG ceased aggressively pursuing vehicles donations once the regulations changed on deductibility. Unfortunately, RA-1 did not do a great job of documenting change of ownership on the titles and ORG regularly received citations for offenses committed after the vehicles were distributed to the beneficiaries. It was also stated that some of the vehicles were sold but there were no documentation of the sales to be provided".

**Explanation of Items**

Name of Taxpayer ORG

Year/Period Ended

December 31, 20XX

December 31, 20XX

***Golf Tournaments***

The organization conducted a major annual Charity Golf Tournament fundraising event which resulted in a silent auction and raffles of large prizes - such as 52-inch big screen TVs and gift certificates for mortgage broker fees valued up to 3% for the total amount financed. However, there were no W2Gs on files for the recipients awarded the prizes or documents provided are to who were the recipients.

***Determination Application***

The organization provided a determination application on December 5, 20XX to the Internal Revenue Service and stated in Part II – Activities and Operational Information were as follows:

*“ORG, Inc. will provide a supervised living arrangement, as an alternative to jail, for people in drug rehab. While going through treatment, the clients will live in a residential setting and receive basic life skills training, including cooking and nutrition, laundry, hygiene skills, job seeking, budgeting, relationship and socialization skills, problem solving, conflict resolution and other coping skills. The purpose of the organization is to provide support and guidance to clients trying to make the transition from a life of drugs and alcohol to one of sobriety and work. The organization seeks to help it clients break the destructive cycle of drug abuse and desperation, and move towards self-sufficiency and healthy living. Activities will be initiated in December, 20XX. ORG will be conducting its activities in rented houses. Each house will have a house manager trained in substance abuse counseling who will oversee the activities of the program.”*

There were several issues addressed regarding approving the exempt status of the organization. Several correspondences were transmitted to and from the organization with concerns of the Internal Revenue Service. The Service's concerns was the organization will not qualify for exemption if it operations served a single substantial non-exempt purpose. In particular, the Service's concern was the organization's operations would serve the private business interests of CO-1

(CO-1) more than incidentally. The main concerns were payments made from ORG to CO-1 for the for-profit's rental properties and that the availability of the organization's exempt purpose should not be used as a marketing tool to attract customers to a related trade or business. In addition, the Service felt the limiting of an exempt organization's services only to the clients of a particular business may indicate that the organization's operations serve the private interest of that business.

Consequently, ORG agreed to the following in order to receive their exempt status:

- CO-1 will not charge ORG for any rent for the sober housing, the providing of which to Intensive Out Patient (IOP) clients being a contractual obligation of CO-1
- CO-1 will not utilize any ORG funds to subsidize it business obligations and not to charge rent for sober housing to defray the costs of providing the same so there is no impermissible connection between the two entities



**Explanation of Items**

Name of Taxpayer ORG

Year/Period Ended

December 31, 20XX

December 31, 20XX

- ORG and CO-1 agrees that the services and programs offered by ORG will not be featured and used in the promotional materials of CO-1 in a manner designed to entice clients or funding sources to choose CO-1 as the provider of needed services
- The services and programs offered by ORG will not be limited to CO-1 clients
- ORG will maintain a Board of Directors in which a minority of members consists of CO-1 personnel

After several correspondences between the Internal Revenue Service and ORG, the organization's exempt status was approved on May 29, 20XX.

***Website***

ORG website is website. The website is shared by the for profit entity of CO-1. Per the website, the following services were listed as currently (to this date) being conducted by the organization as:

ORG services are available to all needy adults who participate in or have completed a program for the treatment of chemical dependency; ORG uses its funds to provide the following support to individuals desiring to stay sober:

- **Food**
- **Clothing**
- **Toiletries**
- **Life Skills Training**
- **G.E.D. classes**
- **Employment Assistance**
- **Post-treatment housing**
- **Entertainment**
- **Laundry facilities**
- **Clothes and school supplies for children of beneficiaries**
- **Furniture for apartments**
- **Funds to acquire drivers licenses**
- **Storage and truck rental for persons being evicted while in treatment**
- **Document acquisition**
- **Personal needs grants (\$ - \$)**

***Relationship with CO-1 ( d.b.a. CO-1)***

CO-1 ( CO-1) existed prior to the formation of ORG. It is a for-profit company owned by RA-1, the

**Explanation of Items**

Name of Taxpayer ORG

Year/Period Ended

December 31, 20XX  
December 31, 20XX

President of ORG. CO-1 provides treatment services to adults with alcohol and chemical dependency. RA-1 stated that "he found persons needed services following treatment to continue to be drug free and ORG was formed to provide those services". The two corporations share the headquarters building, which is owned by RA-1. There appears to much overlap in the activities of the two entities. In reviewing the expenses of the organization, it appears that expenses for the for-profit entity were paid by the non-profit entity. There were a great deal of checks paid and referenced to the Intensive OutPatient Program (IOP) which is a program of the CO-1.

Per letter provided from the taxpayer dated April 27, 20XX (amended July 30, 20XX), the State of State revoked the license of CO-1 ( the for-profit entity). The license revocation was effective immediately, subject to their right of appeal. CO-1 is currently appealing the decision of the State of State to remove CO-1 as a provider of services. The State of State has issued more than 60 citations very serious in nature to CO-1 for matters pertaining to improper use of grants, incomplete client records, falsifying documents, maintaining qualified staff and many other violations. The organization continued to operate while going through the appeal process. As a result, the State of State continued to monitor the facility and conducted unannounced site visits to ensure correction of the violations identified in the Order of License Revocation and to ensure on-gong compliance with all licensing requirements set forth in State Statues and Rules.

Unfortunately, on October 18 and 22, 20XX, the State of State conducted a licensing visit to CO-1 and determined there were a number of licensing violations in addition to the previous ones cited.

It was further noted that CO-1 did not file Form 1120s for 20XX, 20XX and 20XX.

***Books and Records***

The organization was unable to substantiate amount reported on its Form 990. In particular, it reported grants to individuals, but was unable to provide records showing who received grants, how much was received by each individual or how the recipients were determined. The organization was unable to provide client records which would detail services provided. Amounts paid to workers were often paid to relatives of RA-1 and no verification of work done for the exempt organization were provided.

The organization did not establish that the rent paid by ORG for the rental properties owned by RA-1 and his relatives was a fair market value rate. Furthermore, there were no documentation which detailed out who occupied the rental properties, how much was paid for rent and the time period of occupancy.

Finally, there were no records provided as to the number of clients served and what type of services were provided for these clients.

***Internal Controls***

**Explanation of Items**

Name of Taxpayer ORG

Year/Period Ended

December 31, 20XX  
December 31, 20XX

There appear to be a lack of internal control. The accountant, Accountant had been the accountant since inception of the organization. The organization was contacted by the Internal Revenue Service pertaining to the non-filing of the Form 990 for 20XX and 20XX as well as, for some of the Form 941s. The organization filed the forms late with the Service. It was noted the Form 990 for 20XX was indicated as not being filed with the Service Center. However, the accountant provided an unsigned copy stating that he had previously submitted it but he wasn't for sure when. During the initial interview, the accountant indicated that the Form 990 may not reconcile with his records and there may be some errors due to several changes he had to make. He did express that he would be willing to make any corrections to the Form 990 as needed.

The financial statements and the Form 990 did not reconcile. There was a variance of \$ noted and the following reason was provided by the taxpayer in a letter dated February 26, 20XX:

*"RA-3 supported the work of ORGs and wanted to assist in its efforts. She intended to make a \$ donation to the non-profit. The money was to be used to repay obligations to third parties, primarily L.D.D Inc. that had advanced fund to the non-profit's behalf. However, pressure from RA-3's family members resulted in treating the \$ as a loan. It was repaid from proceeds generated by CO-1".*

There were other indications of a lack of internal control. Accountant had a difficult time providing documents that were clear and understandable. There were a great deal of commingling of the revenue and expenses with the for-profit entity, as well as, expenses that could not be substantiated. Although, the accountant was helpful in trying to get me to understand his method of recordkeeping and lack of documentation, I was unsuccessful in substantiating the exempt activities of the organization.

**Board of Directors**

There were Board of Directors listed on the Form 990, however, during the initial interview. VP stated "there were no Board of Directors officially, however decisions regarding the organization were made by himself and RA-1. According to him, the reason for this was that people didn't want to make time to participate.

It further confirms there is no community-based board in place for the organization and there are no exempt activities that are normally present in an organization operating for the benefit of a charitable purpose for the public and not private interests. By virtue of their relationship and control of the organization, they operate without any oversight.

**Law**

Section 501(c)(3) of the Code provides for the exemption from federal income tax of organizations organized and operated exclusively for religious, charitable, or educational purposes so long as no part of the organization's net earnings inures to the benefit of any private shareholder or individual. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

**Explanation of Items**

Name of Taxpayer ORG

Year/Period Ended

December 31, 20XX  
December 31, 20XX

Section 1.501(c)(3)-(1) of the Income Tax Regulations provides that a definition for "operating exclusively". Primary activities – An organization will be regarded as "operating exclusively" for one or more exempt purpose only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more of the purposes specified in that section.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of any exempt purpose.

Section 1.501(c)(3)-1(c)(2) of the regulations provides that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Section 1.501(c)(3)-1(d)(ii) of the regulations states that an organization is not organized or operated for one or more exempt purposes unless it serves a public rather than a private interest. Accordingly, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator, shareholders, or persons controlled, directly or indirectly, by such private interests.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations provides that the term "charitable" as used in section 501(c)(3) of the Code includes the advancement of education. Section 1.501(c)(3)-1(d)(3) of the regulations provides that the term "educational" relates to the instruction or training of the individual for the purpose of improving or developing his capabilities.

IRC § 6001 provides that every person liable for any tax imposed by the Code, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe.

Section 1.6001-1(e) states that the books or records required by this section shall be kept at all times available for inspection by authorized internal revenue officers or employees, and shall be retained as long as the contents thereof may be material in the administration of any internal revenue law.

Harding Hospital, Inc. v. United States, 505 F.2d 1068 (1974) [74-2 USTC ¶9816], holds that an organization seeking a ruling as to recognition of its tax exempt status has the burden of proving that it satisfies the requirements of the particular exemption statute. Whether an organization has satisfied the operational test is a

**Explanation of Items**

Name of Taxpayer ORG

Year/Period Ended

December 31, 20XX  
December 31, 20XX

question of fact. See also Christian Stewardship Assistance, Inc. v. Commissioner, 69 [70] T.C. 1037, 1042 (1978) [CCH Dec. 35,422].

Better Business Bureau v. United States, 316 U.S. 279 (1945), holds that the existence of a single non-exempt purpose, if substantial in nature, will destroy the exemption under section 501(c)(3). An organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such purposes.

**Government's Position**

It is reasonable to believe there were expenses incurred due to providing services to the clients. In reviewing some of the books and records, I was unable to determine how much of the expenses were for the exempt activities of the organization and if any were considered to be an excess benefit transaction. An excess benefit transaction occurs when a disqualified person receives more than the FMV of his service. Consideration was given to assessing excise tax as a result of potential excess benefit transactions under IRC 4958. The amount could not be substantiated and there was no concrete evidence of where the money actually went due to a lack of books and records.

Therefore, revocation is proposed because of the organization's failure to provide information verifying its continued qualification for exempt status. In a case of revocation, IRC 4958 only applies if the organization is revoked for inurement. See §1.501(c)(3)-(d)(1)(iii).

**Taxpayer's Position**

The taxpayer's position is unknown.

**Conclusion**

Based upon the information noted above, it is proposed the exempt status of the organization be revoked as of the fiscal year ending December 31, 20XX. Forms 1120, *U.S. Corporation Income Tax Return* should be obtained for the fiscal years January 01, 20XX to the present.

If the proposed revocation becomes final, appropriate State officials will be notified of such action in accordance with Internal Revenue Code 6104(c).

The organization may re-apply for tax exemption under IRC 501(c)(3), as long as it can be determined their activities further their exempt purpose.